

[1st March 1947]

MR. PRESIDENT :—" I do not see there is any provision in the Act for Legislators. So he need not pursue the question."

DR. SYED TAJUDDIN SAHIB :—" Medical profession comes under Essential services, so will the Hon. Minister see his way to making suitable provision for procuring accommodation for doctors? "

THE HON. SRI R. RAGHAVA MENON :—" This question was not considered while drafting the Bill for accommodation for Government officers. Anyhow, the question can be considered."

[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—BUDGET FOR THE YEAR 1947-48.

Introduc-
tory.

* THE HON. SRI T. PRAKASAM :—" Sir, I rise to present to this House the revised estimates for the current year, 1946-7, and the budget estimates for the next year, 1947-8.

" Seven months only have elapsed since I presented the budget estimates for the current year under circumstances that necessitated the unusual procedure of introducing a budget nearly half-way through the year to which it related. We now return to the normal budgetary procedure of presenting the annual budget to the Legislature before the close of the previous year, and to the normal conditions under which the Government are fully responsible for the proposals embodied in the budget and for the policy underlying those proposals.

Political
situation.

" 2. Before proceeding to discuss the finances of the Province, I take leave to make a brief reference to the general political situation in the country. As a result of the earnest work of the Cabinet Mission sent by the British Government to this country early in 1946, plans were made both for setting up an Interim Government at the Centre to function as far as possible as a National Government and for framing the future constitution of this country on an agreed basis. The Interim Government comprising leading members of the two major political parties in the country and also representatives of the minority communities, is now functioning. A Constituent Assembly has also been formed consisting of representatives elected by the various Provincial Legislatures. The Assembly has already completed two sittings and carried out much preliminary work. Sub-committees for various purposes have been constituted. We may hope that the framing of a Constitution for India by the Constituent Assembly may be completed in the course of the year 1948. Though the representatives of one of the two major political parties now taking part in the Interim Government and the representatives of the Indian States have not yet joined the Constituent Assembly, it is our earnest hope that these representatives also will join the Assembly before long and help in its deliberations, so that the Constitution finally framed may obtain the ready consent of the whole country and be brought into force without serious difficulties.

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“ I may also perhaps mention, with some feeling of satisfaction and pride, that this Province has been free from serious communal troubles of the kind that have occurred in Bengal and Bihar. It is true that some misguided sections of the public have indulged in anti-social activities here, but we hope that these will soon come to an end.

“ 3. Turning now to our financial affairs, I will first set out, as usual, the final results of the year 1945-46. The preliminary accounts for that year, which were incorporated in the Budget for 1946-7 as presented to the Legislature, showed a revenue surplus of Rs. 55 lakh after taking credit for Rs. 229.20 lakhs on account of State Trading Schemes and after transferring a sum of Rs. 1,750.00 lakhs to the Revenue Reserve Fund. As compared with the preliminary accounts, the final accounts for 1945-6 showed an increase of about Rs. 13 lakhs in Revenue and a saving of about Rs. 37 lakhs under Expenditure (excluding the net credit on account of State Trading Schemes and the transfer to the Revenue Reserve Fund) owing to certain adjustments made in the final accounts. The net credit on account of State Trading Schemes according to the final accounts for 1945-6 was only Rs. 160.35 lakhs against Rs. 229.20 lakhs in the preliminary accounts. As a result of these variations, the transfer to the Revenue Reserve Fund has decreased from Rs. 1,750 lakhs to Rs. 1,731 lakhs. There were also some small variations in the Capital and Debt and Deposit sections. The closing balance of the year comprised Rs. 310.09 lakhs in cash, Rs. 2,965.10 lakhs in securities held in the Cash Balance Investment Account and Rs. 1,411.35 lakhs in securities held in the Revenue Reserve Fund. There were also earmarked securities belonging to the Sinking Fund Investment Account, the Famine Relief Fund, and Electricity Depreciation Reserve and Special Reserve Funds, which were purchased for Rs. 385.44 lakhs.

“ 4. I come now to the current year, 1946-7. In my last budget speech, I expressed the hope that the north-east monsoon of 1946 would be favourable like the south-west monsoon, and so cause an early improvement in the food situation in the Province. This hope has been largely realized. On the information available in July 1946, I said that the south-west monsoon was favourable. In August the rainfall was fairly widespread and was very heavy on the West Coast. The irrigation sources received good supplies. The Mettur reservoir became full on the 17th August and the restrictions on the supply of electric power from the Mettur Hydro-Electric Project were relaxed. The rainfall in the Ceded districts was also fair and helped the mungari and early hingari crops. On the whole, the south-west monsoon rains were satisfactory except in certain central districts. The north east monsoon began late, but continued to be active even in December. The rainfall was satisfactory except in Kurnool, Chittoor, Cuddapah and Ramnad districts, where more rain was needed. The unusually heavy rains in December caused some

Revised
estimates
1946-7.
Seasons.

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damage to the crops in some districts, but the total production of foodgrains in the Province as a whole has not been seriously affected. There are good prospects of raising short-term crops over large areas even in the districts where the north-east monsoon was not quite satisfactory, with the aid of water-supply from tanks, wells and other irrigation sources.

**Food
position**

" 5. The food position was difficult when I presented the revised budget for 1946-7 at the end of July 1946. It deteriorated subsequently, and in August we had to reduce the rice ration to 8 ounces per adult per day out of a total ration of 12 ounces. Early in September it seemed likely that a further reduction in the ration would be necessary. But, thanks to the response of the producers to the appeal made by me to surrender a portion of the stocks retained by them for their own consumption, we were able to get through the most critical months without any further reduction in the ration. As a result of the response to my appeal and to the inducement in the form of bonus offered to producers, rice and millets were procured on an unprecedented scale. I may perhaps refer, with pardonable pride, to the appreciation of our efforts by Babu Rajendra Prasad, the Member of the Interim Government in charge of Food. 'Madras' he said, 'was able to procure something like 94 per cent of the surplus of individual cultivators and it is because of this policy of rigid procurement and distribution that the Province has so far been able to scrape through.' In December 1946, the rice portion of the ration was raised to 10 ounces per adult per day except in a few southern districts. From the first week of February it has been raised to 12 ounces in five districts and from the 23rd February in seven more districts. I hope that by the middle of March it will be raised to 12 ounces in all districts. Stocks are being built up as quickly as possible for this purpose.

" In view of the favourable seasonal conditions in 1946, we hope that the food position will be better this year and that we may be able to relax to some extent the austerity measures that we had to adopt in order to avert a famine.

**New scheme
for the pro-
curement
and distribu-
tion of food-
grains (Pro-
ducer cum
Consumer
Co-operative
Societies).**

" 6. As the Government considered it desirable to associate non-officials with the work of procurement and distribution of foodgrains and preventing profiteering and black-marketing, they have sanctioned a new scheme for the procurement and distribution of foodgrains through Producers cum Consumers Co-operative Societies in the place of wholesale merchants. It is open to all landowners and all producers and consumers of foodgrains in the area over which each of these societies has jurisdiction to become members of the society. The societies will procure the surplus foodgrains available with the producers in their jurisdiction and distribute to consumers both the locally procured and the imported foodgrains. They will also distribute other controlled articles such as kerosene and sugar. In order to ensure the proper working of the scheme in the initial stages, experienced officers of the Revenue Department and the Co-operative Department have

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been employed to manage the societies. The scheme was first introduced in Malabar district and is now in full working order there in spite of much opposition in the beginning. A co-operative society has been formed for each firka. The amount of share capital to be subscribed by each member has been fixed at rates varying from Rs. 5 to Rs. 100 for different classes of members. These societies have taken over the entire work relating to the procurement of foodgrains in the district. They are also running ration shops for the retail sale of foodgrains. With the help of the experience gained in Malabar, the scheme has been extended to the delta taluks of East Godavari, West Godavari, Guntur and Kistna districts. A co-operative society is being formed for each group of 7 to 10 villages having a procurement capacity of 5,000 tons of paddy a year. The intention is that each society should have a share capital of at least Rs. 4 lakhs, so as to enable the society to finance the procurement of 5,000 tons of paddy a year. The value of each share is Rs. 25 and the maximum share capital which any subscriber can hold is Rs. 2,500. For this purpose, each district is placed in the charge of a District Food Rationing Officer of the rank of a Deputy Collector with the necessary staff. Trained secretaries will also be appointed for the societies. There is no doubt vehement opposition to this scheme at the moment from vested interests, particularly the millers, but we expect that the opposition will soon subside in the other districts as it has already done in Malabar.

“ The Government are fully aware of the criticism levelled against the scheme and have under preparation a comprehensive report which will explain the aims and objectives which the Government have in view. The main points of criticism have been—

- (a) The scheme is hastily conceived and not necessary, and
- (b) the scheme will affect established trade channels.

“ The Government wish to observe that they carefully examined the development of the co-operative movement in this Presidency and came to the conclusion that even the agricultural credit structure, which was the highlight of the co-operative movement, had failed to achieve the aims and purposes in view. According to the latest Administration Report, the number of agricultural credit co-operative societies on the 30th June 1946 was 10,877 with 6;66 lakhs of members; but only 2;13 lakhs of members (hardly one-third) made use of the societies for their credit needs. Again 6,154 of these societies worked at a net profit of Rs. 6.62 lakhs, while 4,723 societies worked at a net loss of Rs. 12.72 lakhs for the year ended the 30th June 1946. In other words, the average profit earned by ‘ profit societies ’ was Rs. 108 per society, while the average loss sustained by ‘ loss societies ’ was Rs. 269 per society. Furthermore, about 7,000 societies have not borrowed from central banks for over five years and about 1,200 societies have not borrowed for three years and more. These features point to the lack of vitality and vigour in a big section of the rural co-operative system and the narrow range of its credit

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services, and with poor membership, low share capital and an equally poor turnover, these societies have not proved to be efficient economic credit units. The Government therefore decided to improve on this depressing record and are now trying to create something which embodies in it the best of modern scientific thought. It has been held that co-operative producers societies wherever independently constituted were in practice an imperfect adjunct of consumers societies. The Government are creating producers *cum* consumers societies based on the territorial principle, which alone will avoid overlapping rather than create some imperfect and limping adjuncts as in the past and in the West. The best of Indian thought embodied in the Vijayaraghavachari Report also pointed to the constitution of such multi-purpose societies. It is, in particular, a futile propaganda cry to say that long-established trade interests will be affected. If that argument were to be accepted, even the fight for freedom would lose its meaning inasmuch as it sought to replace something long established. The Government are convinced that wealth arising out of the bare necessities of people's life should go back to the people rather than to a mere handful of persons. This is the cardinal principle of their policy which the Government want to be understood.

“ The rapid progress which the societies are making in actual working in Malabar and in the Circar districts has shown that this people's movement has in it the real vitality so lacking in the co-operative societies in the past, which, in spite of decades of existence in this country, have not touched even a fringe of the problem and have failed to make a mark on the life of this country. The Provincial Co-operative Bank and all the District Central Co-operative Banks have a total share capital of Rs. 78 lakhs only. In Malabar, about 108 societies of the new type with over Rs. 50 lakhs of share capital are now working. In the Circars, within the short space of two months, the progress in organization is as shown below :—

District.	Number of societies registered.	Share capital collected.
(1)	(2)	(3)
		RS.
East Godavari	51	42,00,000
West Godavari	40	32,00,000
Guntur	25	22,00,000
Kistna	41	29,00,000
Total	157	1,25,00,000

“ The business for one quarter done by these societies in Malabar showed that the societies were efficient business bodies and could make profits. The hon. Members must, however, remember that even large profits, if made by these broad-based societies with membership running even in the initial stage to 7,000 to 8,000 in

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some societies, will not enrich a few individuals but the entire community, which was the aim of the Government. It should also be noted that, under present restrictions, 6½ per cent is the maximum dividend that is admissible. The intention of the Government is that these societies should build up large reserve funds, so that in the post-control era they can compete with the middleman with confidence and prosper in the competitive market. The Government are convinced that, if co-operation is to be a real success, it must ultimately face competition and overcome it. The Government considered this placing of the societies on solid financial foundations vital and have every hope that in due course this experiment will receive the acknowledgment it deserves. To the Government this bold experiment is a new way of life—'the Co-operative life'—and it is in that hope and belief that the Government wish to give it all encouragement.

" 7. Statutory rationing of foodgrains continues to be in force in all municipal towns and their suburbs, in the whole of Malabar district, in Kasaragod in South Kanara district and in Chirala and Perala villages in Guntur district. It has recently been extended to Guntakal panchayat area in Anantapur district. Non-statutory rationing continues to be in force in the remaining parts of the Province.

Rationing of
foodgrains
and fire-
wood.

" The Government have decided that the scheme of statutory rationing of firewood in Madras City should be continued for a further period of six months from the 1st April 1947 for the present. The question whether it should be extended beyond the 30th September 1947 will be examined in September next.

" 8. In view of the acute shortage of mill cloth and the difficulties caused by blackmarketing practices, the Government have introduced a scheme for the rationing of mill cloth. Village, taluk, town and district committees have been constituted to assist in the distribution of mill cloth and yarn. In order to ensure the efficient working of the new scheme, the Textile Control department has been reorganized. Under the new arrangements, Collectors will be responsible in their respective districts for the general enforcement of textile control measures including the licensing of dealers and the distribution of cloth and yarn. The Provincial Textile Commissioner's functions will be limited to those matters, including the Khadi Scheme, which must necessarily be dealt with by a central authority for the Province as a whole. To assist Collectors to discharge their new duties in this connexion satisfactorily, Inspecting Assistant Textile Commissioners of the grade of Deputy Collectors have been appointed as Personal Assistants to Collectors in all districts except the Nilgiris. Authorized Controllers have been appointed in four mills to check blackmarketing in cloth and yarn. The Government intend to make similar appointments also in all the other textile mills in the Province.

Textile
control and
rationing of
mill cloth.

" As the prices of handloom cloth had risen abnormally, a scheme of price control for these goods has also been introduced, restricting the margin of profit to producers and wholesale and retail dealers to reasonable limits.

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Prices.

" 9. The index number for the average wholesale prices of foodgrains in the Province in the half-year from the 1st July to the 31st December 1946 was 2 points above the corresponding figure for the second half of 1945 and 154 per cent above the pre-war figure. The index number for the average wholesale prices of commercial products in the second half of 1946 was 292 per cent above the pre-war figure. The working-class cost of living-index for Madras City for December 1946 was 249.0 against 224.1 for December 1945. The prices of some kinds of consumer goods have risen considerably since the Hoarding and Profiteering Prevention Ordinance and the Drugs Control Order ceased to be in force. We hope that the prices of these articles will come down to a more reasonable level as imports become more adequate to meet the demand.

Grow-More-
Food
Campaign.

" 10. The Government have introduced various measures to increase the production of food such as schemes for the purchase and distribution of manure and seeds and iron and steel for agricultural implements, schemes for the multiplication of improved seed, schemes for poultry development and for the improvement of the stock of cattle, sheep and goats and the scheme for payment of subsidies to ryots for digging wells for the purpose of irrigation. Details regarding the well-subsidy scheme were given in my speech introducing the budget for 1946-7. We anticipate that a total expenditure of Rs. 277.44 lakhs will be incurred in the current year on these subsidies; half of this will be borne by this Government and half by the Central Government. The revised estimate for 1946-7 therefore includes Rs. 138.72 lakhs for the net expenditure by this Government on well subsidies.

" In view of the unsatisfactory supply position and the prevalence of blackmarketing in respect of groundnut cake, the Government have decided to acquire all the groundnut cake produced by all the power-driven groundnut oil mills and hand-presses in the Province instead of the 50 per cent acquired previously. The cake so acquired is distributed to ryots with the help of village, taluk and district committees. In order to supply ryots with improved varieties of seeds of paddy, millets, pulses and groundnut and of green manure, the Government have sanctioned a comprehensive scheme for all the districts for the multiplication and distribution of the improved varieties of seeds. We anticipate that this scheme will bring a further large area under cultivation with the improved strains within three years and so lead to a considerable increase in the production of the grains concerned.

" The Government have purchased from Army surpluses oil and petrol-driven engines, pumps, tractors, bulldozers and other agricultural machinery needed for accelerating food production and are selling or hiring them to the ryots."

4 p.m.

MR. PRESIDENT :—" It seems to be the opinion of both sides of the House that the Hon. the Premier need not be compelled to read the whole speech. He has already gone through the whole speech in the other House and to repeat the same in this House

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[Mr. President]

will throw a very great strain on him. I suppose there will be no objection, if he refers to some of the important portions of the speech and the rest may be taken as having been read."

DR. T. S. S. RAJAN :—" As a matter of fact, the Budget speech has been handed over to us and I suggest that the Prime Minister may choose such of the portion to be read in the House. It will minimise the strain on him."

THE HON. SRI T. PRAKASAM :—" I too thought so. But in the other House, the Speaker thought that the whole thing should be gone through. I was not sure whether you would not be of the same opinion. I shall however go through a few more paragraphs."

" 11. The progress of demobilization of the Armed Forces and the cessation of war-time activities made it necessary to take steps to prevent a slump in prices and employment. The Government of India therefore agreed to give " advance " grants to cover the entire expenditure on unproductive post-war development schemes in 1945-6 and 1946-7. In view of this we decided to take up for execution in the current year certain schemes included in the five-year plan of post-war development. The provision made in the current year's budget for this purpose was Rs. 11,33.41 lakhs, of which Rs. 7,82.60 lakhs was debitable to the Revenue Account. As the progress of expenditure on some of these schemes has been slower than was anticipated, the revised estimate for 1946-7 includes for this purpose only Rs. 5,86.56 lakhs, of which Rs. 3,91.22 lakhs relates to the Revenue Account. Post-war development

" 12. When I presented the budget for the current year in July 1946, it was proposed to reintroduce Prohibition with effect from the 1st October 1946 in four districts. Subsequently, with reference to the views expressed by the Members of the Legislature, the Government decided to extend the scheme to four more districts from that date. Prohibition is thus in force now in eight districts, namely, Coimbatore, Salem, North Arcot, Chittoor, Kurnool, Cuddapah, Anantapur and Bellary. Besides, the Government have decided to close all abkari and opium shops in the firkas selected for intensive rural development work in the districts where Prohibition has not yet been introduced. The total loss of revenue from these measures in a full year is about Rs. 5,81 lakhs. Prohibition.

" 13. In my speech introducing the current year's budget, I made a brief reference to the measures for village reconstruction and Harijan uplift which were under the consideration of the Government. Schemes of village reconstruction have since been drawn up in detail and are being put into effect. As the House is already aware, a special Fund has been constituted for Village Reconstruction and Harijan Uplift and the current year's budget provides Rs. 4 crores for transfer to the Fund from current revenues. Out of this, one crore is intended for Harijan uplift and the remaining three crores are intended for financing general Village Reconstruction and Harijan Uplift.

†The Hon. the Prime Minister read out paragraphs 14, 15, 17, 34, 42 and 56 and the rest was taken as read.

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schemes of rural development including the schemes for Khadi production and cottage industries. Sums equal to the expenditure actually incurred on these schemes in each year will be transferred from the Fund to the Revenue Account at the end of the year and the unspent balance, if any, left in the Fund will be available for expenditure in subsequent years.

" In view of the importance of the village reconstruction scheme for the future prosperity of the country, I wish to give the House full details relating to it. To start with, measures will be undertaken with the object of making one firka in each district (except Madras City) self-sufficient in regard to food and clothing. Two firkas have been selected in the Vizagapatam district in view of its size, and also one firka in the Vizagapatam Agency and one in the Godavari Agency. Twenty-seven firkas in all have thus been selected for introduction of the rural reconstruction schemes. Each of these firkas has been placed in the charge of a Firka Development Officer of the rank of a Deputy Tahsildar. Under him there is a Village Development Officer of the rank of a Revenue Inspector for each of the four or five groups of villages into which each selected firka is divided. A survey of the villages in the selected firkas and their needs will be made by the Village and Firka Development Officers under the supervision of the Collectors concerned, to whom detailed instructions have been issued in the matter. This survey should be completed within a month. In the light of the information gathered, the needs of each village will be listed and arranged in order of urgency, and schemes will be drawn up to provide for these needs with or without financial assistance from the Government.

Khadi
Scheme.

" 14. As a fundamental and very important part of their comprehensive plan for the development of village economy, the Government have inaugurated a Khadi scheme with the co-operation of the All-India Spinners' Association. The Khadi scheme comprises two parts, the 'intensive' and the 'extensive'. The intensive part of the scheme, which aims at self-sufficiency in regard to cloth in terms of Khadi, will be confined at present to seven compact areas in which Khadi has already made substantial progress under the All-India Spinners' Association, and the work in these areas will be conducted on the direct responsibility of the Government. Of the seven areas, three are in Tamilnad, three in Andhra districts, and one on the West Coast. The 'extensive' part of the scheme will be applied in all the twenty-seven firkas selected for general rural reconstruction work. Free instruction in hand spinning and weaving together with the anterior processes will be provided in all educational institutions in these firkas. Basic education will be introduced in as many centres as possible and spinning and weaving schools for adults will also be organized. In consultation with the All-India Spinners' Association, the Government will also extend to institutions engaged in the development of Khadi in these firkas such assistance as it is in their power to give without committing themselves to additional expenditure (e.g., local manufacture of charkas and other Khadi implements and supply of wood and cotton against payment of full value, etc.). The 'extensive' part of the scheme has been so designed as to

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create a proper atmosphere for the extension of the 'intensive' part of the scheme to new areas in course of time. In the seven areas selected for 'intensive' Khadi work, the development of cottage industries and other items of work (to which I shall refer presently) included in the Government's village reconstruction plan will also be undertaken. Preparatory educational work on the same lines as in the 'extensive' areas will also be done. In order to work the 'intensive' part of the scheme effectively, the Government will take over the assets and liabilities of the All-India Spinners' Association in these seven areas. The scheme aims at securing in each of the 'intensive' areas the production of sufficient Khadi for supply to the entire population of the area at the rate of 20 yards per adult and 10 yards per child for each year. For each of the seven areas the Government will constitute a Centre Khadi Committee composed entirely of non-officials who are picked Khadi enthusiasts. In consultation with the Centre Khadi Committee, the Provincial Textile Commissioner will constitute for each village a Village Khadi Committee consisting of influential residents of the village. The 'intensive' scheme will be executed, under the instructions and guidance of the All-India Spinners' Association, by the Centre and Village Committees with the assistance of the Centre Khadi Officer and staff. The day-to-day administration of each centre will be conducted by the Centre Khadi Officer with the guidance of the local branch Secretaries of the All-India Spinners' Association, who will be Honorary Regional Khadi Officers. It is hoped that, by intensive propaganda, the Village and Centre Khadi Committees will succeed in realizing the objectives of the scheme, namely, that there should be at least as many charkas operating as there are families residing in the area, and that as far as possible the yarn spun in each village should be woven into cloth by weavers residing in that village. As an essential part of the scheme, arrangements will be made, with the assistance of the All-India Spinners' Association, for special courses of training in carding, slivering, spinning and weaving. As far as possible, the Government will give any assistance asked for by the local committees in regard to the supply of charkas and carding and slivering implements. The supply of these implements will be at cost price, but in the case of Harijans and other persons as to whose poverty the village committees satisfy the Centre Khadi Officers, the price will be recovered in not more than twelve monthly instalments. As an incentive to do their own carding, guts will be supplied to all spinners at one-third of the cost price. Every family will be encouraged to utilize the yarn spun by its members for the production of Khadi for its own use. All surplus yarn (i.e., yarn not utilized for weaving cloth for the family) will be purchased by Centre Khadi Officer or exchanged by the spinner for Khadi bought by him from the Centre Khadi Officer. All the yarn that thus comes into the hands of the Centre Khadi Officer will be got woven into cloth and made available for sale to families residing in the centre at prices to be fixed by the Provincial Textile Commissioner. A subsidy at a flat rate of four annas per square yard will be given to 'self-spinners' on the quantity of Khadi woven for the use of the spinner's family out of

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the yarn spun by its members. It has been estimated that, when full Khadi production is reached in all the seven centres, the annual gross expenditure (i.e., without taking credit for sale of charkas, yarn, etc.), will not exceed a crore of rupees and that if, as the Government expect, the scheme is a success, the annual net expenditure by the Government will not exceed Rs. 5½ lakhs, of which about Rs. 3 lakhs will be spent on training centres and about Rs. 2½ lakhs on subsidies.

Cottage
industries.

" 15. Cottage industries are another important item in the programme of village reconstruction. Cottage industries suitable for each village in the areas selected for rural reconstruction will be revived or developed as the case may be, and special attention will be paid to the improvement of cottage industries essential to the life of village communities. The hereditary and potential skill of village artisans will be fully utilized and modern methods will be introduced and adapted to the extent necessary. The supply of electric power to these areas will receive high priority, so that the modernization of the existing cottage industries and the introduction of new ones may be facilitated. Arrangements will be made for the supply of raw materials and for the marketing of the products of these industries through approved agencies like co-operative societies. As the general village reconstruction work will engage the entire time and attention of the Firka Development Officers, the Government have sanctioned the appointment of a Firka Cottage Industries Officer for each selected firka to be in charge of the work relating to the development of Khadi and other cottage industries in the firka. The Government have also decided to launch a scheme for fostering Khadi and cottage industries in the Bezwada Urban area and in Madras City and have sanctioned the appointment of one Firka Cottage Industries Officer for Bezwada Town and two for Madras City.

" The scheme for development of cottage industries comprises three parts. The first part relates to the establishment of demonstration units which will provide training facilities in cottage industries suitable to the localities where they operate. It is proposed to establish over 200 training and demonstration units, covering more than 30 industries and to train about 4,000 persons in the various industries for periods ranging from three to ten months. Stipends at rates varying from Rs. 7-8-0 to Rs. 10 per head per month will be paid to 50 per cent of the total number of trainees. Arrangements will also be made for providing free food for the trainees in the training units not only as an inducement to the village artisans to join the courses of training, but also to improve their health and well-being by giving them wholesome and nutritious food. The trainees will also be paid a part of the receipts from the sale of articles made by them at the training centres.

" The second part of the scheme relates to the reorganization of the Industrial and Commercial Museums in the districts and expansion of the scope of their activities. Under this scheme, emporia will be organized for the sale of the products of cottage industries. These will be attached to the Museums. Government

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grants will be given towards the cost of staff and other expenditure required for the maintenance of the Museums, and the District Industries Officers will supervise the working of the Museums.

" The third part of the scheme provides for facilities to help the village artisans to establish themselves in the trades of their choice after they have completed their courses of training. Facilities will also be provided for further technical training at a higher level, if any of the artisans show special aptitude for such training. Financial aid will be given in the form of subsidies, loans, etc. It is estimated that this cottage industries scheme as a whole will cost the Government Rs. 20½ lakhs non-recurring and Rs. 27 lakhs a year recurring.

" 16. Under the general rural reconstruction scheme for the 27 selected firkas every effort will be made to increase the productivity of the land. Arrangements will be made for sinking wells and for using electric power to lift water for the purpose of irrigation. A depot is to be constructed at the headquarters of each of the selected firkas for the storage of agricultural implements, seeds, manure, etc., for distribution to ryots through village committees. The Director of Agriculture is arranging for an intensive survey of the food and fodder requirements of the selected firkas in order to find out how the present agricultural and cropping system for providing food and fodder can be improved.

Agriculture
in the
selected
firkas.

" 17. Coming now to Harijan uplift, the scheme which the Government have under active consideration is to start colonies in selected places in each district where Harijans, caste Hindus, Muslims and others will be encouraged to live side by side and maintain the same standards of living. Schools, hospitals and other amenities will be provided for the benefit of the colonists. The Government intend that these colonies should serve as models for the reconstruction of villages on the basis of self-sufficiency and provision of common facilities for all communities without any distinction and with no disabilities for Harijans. The details of the scheme have not yet been completely worked out and finally settled. I hope that good progress will be made on it in the course of the budget year.

Harijan
uplift.

" 18. In pursuance of the undertaking that I gave to this House when introducing the budget for 1946-7 on the 31st July 1946, that the Government would examine what retrenchment could be made in expenditure, a Reorganization Committee consisting of five Ministers has been constituted. The Committee will consider the question of effecting economies in expenditure on new departments and appointments brought into existence during the war and after, the revision of salaries not dealt with by the Salaries Sub-Committee of the Cabinet, the reorganization of departments with a view to making them more efficient and other connected matters. As the committee was constituted only towards the close of 1946, it has not been able to make much progress so far. I hope that in the course of 1947-8, it will be possible to effect economies in expenditure and improvement in the administrative machinery as a result of the deliberations of this committee.

Retrenchment and
reorganization.

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Famine relief.

" 19. At the time of framing the budget for 1946-7, it was anticipated that expenditure on famine relief to the extent of about Rs. 145 lakhs would be incurred in the current year. It was proposed to transfer a net sum of Rs. 39 lakhs from the Famine Relief Fund and to meet the balance of Rs. 106 lakhs from current revenues. Owing to a considerable improvement in seasonal conditions, the expenditure on famine relief measures in the current year is now estimated at only Rs. 19 lakhs. This amount will be met from current revenues and no drawal on the Famine Relief Fund is necessary.

Publicity Department.

" 20. As it is necessary to keep the public informed from time to time of the policies of the Government and to counteract the anti-Government propaganda in some districts, the Government have set up a new Department of Information and Publicity under a Director who is attached to the Chief Secretariat. The department publishes a fortnightly journal called 'Madras Information' explaining the activities of the various departments of the Government. It also attends to the issue of press notes, press communiques and pamphlets on food problems, rationing, labour disputes, prohibition, anti-corruption measures, etc.

Relief to Government servants including village establishments and pensioners.

" 21. In view of the great hardship caused by the high cost of living to low-paid Government servants and to pensioners drawing small pensions, the Government have sanctioned certain special measures of relief, namely:—

(a) 'interim relief' by way of temporary addition to pay with effect from the 1st August 1946 for Government servants drawing pay up to Rs. 200 a month, pending revision of the scales of pay,

(b) a lump-sum payment of one month's pay to all non-gazetted Government servants, work-charged establishments and menials paid from contingencies, subject to a minimum of Rs. 20 and a maximum of Rs. 150 per individual,

(c) further increase in the pay of all village establishments by Rs. 3 a month per head from the 1st August 1946, and

(d) further increase in small pensions, as a temporary measure, in respect of persons drawing pensions not exceeding Rs. 100 per month.

Subsequently, the Government have also sanctioned revised scales of pay and house rent allowance to Government servants of certain classes with effect from the 1st January 1947.

Grants have also been sanctioned to enable local bodies and private managements to enhance the scales of pay of teachers in the schools under their control.

" The extra expenditure in the current year on account of the measures mentioned in this paragraph is estimated roughly at Rs. 114½ lakhs.

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" 22. Turning now to the figures of estimated revenue and expenditure to be met from current revenues in 1946-7, the position is as follows :—

Revised
Estimate
1946-7,
Summary of
total figures.

	Budget Estimate, 1946-7.	Revised Estimate, 1946-7.	Variation Increase (+) or Decrease (—)
	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.
Revenue—			
Normal	48,48.92	51,71.52	+3,22.60
Transfer from the Revenue Reserve Fund	8,94.00	8,26.00	— 68.00
Total ..	57,42.92	59,97.52	+2,54.60
Expenditure on revenue account excluding expenditure on post-war development schemes and net outlay on State Trading Schemes	42,70.98	41,04.55	+4,33.57
Expenditure on post-war development schemes	7,82.60	3,91.22	— 3,91.38
Net outlay on State Trading Schemes ..	6,89.19	9,01.36	+2,12.17
Total ..	57,42.77	59,97.13	+2,54.36
Surplus ..	15	39	+ 24

" I need not trouble the House with details of the revenue and expenditure shown under the various heads in the Revenue Account, but will mention briefly the main reasons for the more important variations from the budget figures for the current year.

" Under Excise Revenue an increase of about Rs. 59 lakhs is anticipated mainly on account of larger receipts from tree tax and rentals of toddy shops in districts where Prohibition has not been introduced. The receipts under Stamps show an improvement of Rs. 94 lakhs, including about Rs. 88 lakhs under Non-Judicial Stamps as a result of larger business transactions and Rs. 6 lakhs under Court-fees. Under Forest, there is an increase of Rs. 54 lakhs on account of the sale of larger quantities of sandalwood, timber and other forest produce at higher prices than were anticipated. A large increase of about Rs. 122 lakhs is also anticipated under Other Taxes and Duties as a result of the increased turnover of assesseees to the General Sales Tax and improvement in the administration of the tax. Against the increases mentioned above, a decrease of about Rs. 79 lakhs is anticipated under Income-tax on the basis of the estimate received from the Government of India in December 1946. According to a subsequent estimate received from the Government of India in February 1947, an improvement of about Rs. 41 lakhs is expected under this head as compared with the previous estimate, but it was too late to alter our budget at that stage.

" As regards expenditure on Revenue Account, there is a large increase of Rs. 193 lakhs under General Administration on account of the grant of subsidies to ryots for sinking wells in pursuance of the Grow-More-Food campaign to which I have already referred, the revision of the pay of village establishments, the constitution

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of the Food Department as a new Department of the Secretariat, the employment of staff for rural recreation work in Prohibition districts, and the constitution of a new Publicity Department attached to the Chief Secretariat. Under Police, the reorganization of the District Armed Reserves, the Presidency General Reserve and the Special Emergency Forces, larger expenditure on clothing, arms and equipment mainly on account of the reorganization mentioned above and payment for military lorries and A.R.P. stores taken over by the Police Department, cause an increase of about Rs. 35 lakhs. There is an increase of Rs. 212 lakhs in the net outlay on State Trading Schemes, which is met from current revenues. This is due to the food crisis in the Province, which has necessitated the import of larger quantities of foodgrains from other parts of India and from overseas and consequently increased expenditure in subsidizing the sale of the imported foodgrains at reasonable prices. Against the above increases, there are large decreases in the expenditure under Civil Works (Rs. 110 lakhs) and Capital outlay on industrial development met from current revenues (Rs. 34 lakhs). One reason for these decreases is the Government's decision to transfer the expenditure on certain building schemes and on schemes of industrial development from the Revenue to the Capital section of the accounts. Under the rules framed by the Auditor-General of India, Capital outlay on a scheme that is not fully productive can be financed from non-revenue resources, if its cost exceeds Rs. 5 lakhs. In view of the large deficit anticipated in the current year due mainly to the heavy expenditure on food subsidies that had to be incurred in order to avert a famine, the Government decided to transfer from the Revenue Account to the Capital Section a sum of about Rs. 13 lakhs representing the provision in the current year for an unproductive irrigation work and for seven building schemes, each with a total estimated cost of over Rs. 5 lakhs, and another sum of about Rs. 28 lakhs representing the provision for investment in the shares of the fertilizer factory to be established by the Central Government at Sindri in Bihar (Rs. 25 lakhs) and for Capital expenditure on the hydrogenation factory at Calicut (Rs. 3 lakhs). Other important factors that contribute to the decrease under Civil Works are lapses anticipated in the provision for buildings owing to delay in the preparation of detailed plans and estimates and in land acquisition and lapses in the provision for the purchase of new tools and plant such as concrete mixers, road rollers, etc., by the Highways Department. The decrease under Capital outlay on industrial development met from the current revenues is also partly due to the fact that the budget provision for the working expenses of the hydrogenation factory at Calicut cannot be utilized as the factory has not yet begun to function, owing to delay in obtaining the necessary plant and machinery.

Revenue deficit and drawal from the Revenue Reserve Fund.

" 23. The net result of the variations under all heads in the Revenue Account is that the revised estimate for the current year anticipates that the revenue deficit will be reduced from Rs. 891 lakhs to Rs. 826 lakhs. The amount to be drawn from the Revenue Reserve Fund to cover the deficit will be correspondingly reduced.

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" 24. I shall not weary the House with a detailed analysis of the figures under Capital and Debt heads, but shall give only a broad explanation of the changes in the revised estimate as compared with the budget estimate for the current year. Capital outlay is expected to fall short of the budget provision by about Rs. 92 lakhs. A decrease in the outlay on the Tungabhadra Project is due to difficulty in getting tools and plant and other materials, to the longer time required for land acquisition and to the credit taken for a grant from the Government of India towards the wholly unproductive portion of the outlay on the project. Decreases are also anticipated in the outlay on certain Electricity Schemes. On the other hand, Rs. 3.99 lakhs has been newly provided in the revised estimate for the purchase of the motor vehicles required for starting a Government Bus Service in Madras City. The variations under Loans and Advances are small. Under the other Debt and Deposit heads, there is a decrease of Rs. 85.19 lakhs in the net receipts due to larger investments in Central treasury bills, partly offset by the proceeds of the new loan of Rs. 4,09.30 lakhs raised in the open market in September last, larger credits under Civil Deposits and smaller withdrawals from the fund for village reconstruction and Harijan uplift.

Madras City
Bus Service.

" 25. The year 1946-7 is expected to close with a balance of Rs. 55.73 lakhs in cash, Rs. 21,88.48 lakhs in securities held in the Cash Balance Investment Account, and Rs. 23,31.35 lakhs in securities held in the Revenue Reserve Fund. In addition to the above balances, the Government will also hold on the 31st March 1947 earmarked securities purchased for Rs. 4,09.76 lakhs in the Sinking Fund Investment Account, the Famine Relief Fund and the Electricity Depreciation and Special Reserve Funds.

Closing
balance,
1946-7.

" 26. Before giving the figures for the estimated revenue and expenditure of the coming year, I shall explain some important special features of the budget.

Budget
Estimates,
1947-8—
Revenue
Account.

" 27. The budget takes credit for an additional revenue of Rs. 1 crore from the proposed levy of a tax on agricultural income. In view of the heavy loss of revenue from the introduction of prohibition and the large expenditure to be incurred on post-war development schemes, grow-more-food projects and other important nation-building schemes, the Government consider it essential to augment the Provincial Revenues by additional taxation. They therefore propose to levy a tax on agricultural incomes, and will bring the necessary Legislation before the House during the course of the year. The rates of tax proposed are low and only individuals, etc., with a net annual income of over Rs. 5,000 each will be assessed to the tax. Adequate provision will be made for deduction of essential items of expenditure from the gross income in arriving at the net income to be taxed. The Government have also under consideration the question of fixing uniform and moderate rates of land revenue assessment. A Special Officer has been

New tax-
ation
measures—
Agricultural
Income-tax.

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appointed to investigate the land tenure systems in the Province and make proposals for land revenue reform, and his report is awaited.

Motor Spirit Tax.

" 28. The rates of tax under the Madras Sales of Motor Spirit Taxation Act have been raised with effect from the 1st February 1947 from one anna six pies to four annas per gallon in the case of petrol and from six pies to one anna six pies per gallon in the case of motor spirit other than petrol. Credit has been taken in the budget for an additional revenue of about Rs. 35 lakhs next year from this measure.

Entertainments Tax.

" 29. A proposal to fix the rates of tax under the Madras Entertainments Tax Act, 1939, at one-third of the cost of each ticket (in lieu of the varying rates now in force) is under consideration. The net proceeds of the tax, after deducting ten per cent for credit to the Government towards the cost of collection, will be paid to the local bodies in whose jurisdiction the tax is collected. The Board of Revenue has estimated the total proceeds from the proposed increase in the tax at about Rs. 42 lakhs a year. Out of this only about Rs. 4 lakhs will be credited to the Government towards collection charges. No credit is taken in the budget for this additional revenue, as the estimate was not available in time.

Betting Tax.

" 30. The Government propose to abolish the betting on horse races hitherto permitted in the race course enclosures at Madras and Ootacamund. On the assumption that this measure will be brought into force from the 1st April 1947, no credit is taken in the budget for revenue from the betting tax. The revenue to be foregone in 1947-8 under this proposal is estimated at Rs. 18.47 lakhs.

Prohibition.

" 31. Prohibition has already been introduced in eight districts and in the firkas selected for intensive rural development work, and the Budget for 1947-8 allows for a full year's loss of revenue on this account (Rs. 581 lakhs). The Budget also allows for a half year's loss of revenue (Rs. 168 lakhs) due to the decision of the Government to extend Prohibition to six more districts, namely, Guntur, Nellore, Tanjore, Trichinopoly, Madura and the Nilgiris, from the 1st October 1947. After the Budget estimates were fixed, the Government decided to extend prohibition also to two more districts, Malabar and South Kanara, from the 1st October 1947. The further loss of revenue for a half-year in 1947-8 on account of this decision is Rs. 58 lakhs. When this decision was reached, it was too late to alter the Budget figures and documents in accordance with it. The loss of revenue in a full year on account of the extension of prohibition to eight further districts from the 1st October 1947 will be Rs. 452 lakhs.

Grow-More-Food Campaign.

" 32. The Central Government have decided to continue their scheme of grants to the Provinces towards the expenditure on grow-more food measures for a further period of five years from 1947-8 and they propose to fix a target for the additional quantity of food-grains to be produced by each Province during the five-year period. The target for this Province is expected to be the production of an additional 6.5 lakhs annual tons by the end of the five-year

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period. The Director of Agriculture has prepared a plan with reference to this target, involving an estimated cost of Rs. 7.85 crores spread over the next five years, which includes an expenditure in 1947-8 estimated at 1.16 crores. Some of the measures contemplated in the plan are greater use of artificial manures to increase the size of crops, improvements to irrigation sources, assisting cultivators with tractors and other agricultural machinery, increasing facilities for lifting water by animal and machine power and measures to control erosion. These measures are proposed in addition to the existing schemes, including the purchase and sale of manures, seeds and iron and steel with the aid of the permanent advance placed at the disposal of the Director of Agriculture. As the Government have not yet passed final orders on the plan submitted by the Director of Agriculture, provision has not been made for it in the next year's budget. Provision has however been made for the continuance of the existing Grow More Food schemes on the lines already in force.

" The Government have decided to continue the grant of subsidies to ryots for sinking irrigation wells and have prepared a modified scheme for the purpose to take effect in 1947-8. The amount of subsidy will be 50 per cent of the cost of the well, subject to a maximum of Rs. 500 per well in the Ceded districts and Rs. 300 per well in other districts. The aid will be given in the first instance as a loan, and it will be treated as a subsidy only on satisfactory completion of the well. The scheme will apply to all districts except the Nilgiris. The expenditure on the scheme in 1947-8 is estimated at Rs. 150 lakhs. Half of this has to be borne by this Government and the remaining half will be met from a Central grant. A net provision of Rs. 75 lakhs has been made in the Budget for this purpose.

" 33. From 1947-8, the Government of India will make a 'block' grant to each Provincial Government towards their expenditure on post-war development schemes. The total expenditure on post-war development schemes included in this Government's Budget for 1947-8 amounts to about Rs. 12.95 lakhs of which Rs. 7.21 lakhs is debitable to the Revenue Account. The Government of India have not yet finally decided the basis on which these block grants will be allocated to the Provinces. They deputed certain officers to visit Australia and study the system of federal grants to the States in that country and they intend to make final decisions in the matter after examining the report of these officers. Meanwhile, they have intimated that the amount that they propose to provide in the Central Budget for 1947-8 for grants to Madras for post-war development schemes, including grants for grow-more-food schemes, is Rs. 6.25 crores. As the terms and conditions attached to the grant and the amount intended for grants for grow-more-food schemes were not known at the time of fixing this Government's Budget, credit has been taken in the Budget for 1947-8 for Central grants equivalent to roughly 50 per cent of the estimated expenditure in 1947-8 on wholly unproductive schemes and 50 per cent of the unproductive portion of the outlay on partially productive schemes. It is anticipated

Post-war
develop-
ment.

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that the total amount eventually received by way of Central grant for 1947-8 will not be appreciably different from the amount for which credit has been taken in the Budget.

On making a rough financial forecast covering the next five years, the Government find that they are not likely to have any appreciable revenue resources of their own for use towards the expenditure on post-war development schemes and that the bulk of this expenditure will have to be met from the Central grants and from borrowings in the open market or from the Central Government. They are therefore considering the question of curtailing the five-year plan of post-war development previously drawn up.

34. I have already explained, in dealing with the revised estimate for 1946-7, the scope of the schemes to be financed from the fund for village reconstruction and Harijan uplift. Deducting the estimated expenditure of Rs. 60 lakhs in the current year, the balance in the fund available for expenditure next year will be about Rs. 340 lakhs. The amount to be drawn from the fund in 1947-8 will be fixed with reference to the progress of expenditure on the schemes in 1947-8. Any amount left undrawn in the fund at the end of 1947-8 will be available for expenditure in the subsequent year or years.

35. Owing to the favourable seasonal conditions in the current year, the Government anticipate that the food situation will improve considerably and that an appreciable reduction may be possible in the imports of foodgrains from outside the Province. The budget estimate allows for a reduction in the anticipated net outlay in 1947-8 on wheat and wheat products by about Rs. 148 lakhs as compared with the revised estimate for 1946-7. Some further reduction in the net outlay on foodgrains and on firewood below the figures shown in the Budget may be found feasible next year. Final decisions have not yet been reached in these matters. The general questions of reducing the net outlay on State Trading Schemes relating to foodgrains and firewood by reducing the quantities to be imported or raising the prices, and of retrenchment in the staff for the procurement, rationing and price control of foodgrains and other commodities will be considered by the Reorganization Committee before the Government make their final decision on these matters.

I may mention in this connexion that a milk-reconstituting plant has been installed at Saidapet at a cost of about Rs. 2.81 lakhs with a view to improving the supply of milk in Madras City, where it is at present very unsatisfactory. The plant is designed to produce about 2,500 measures daily of reconstituted milk, which is held to have the same nutritional value as fresh milk. After the requirements of Government institutions in Madras City have been met, the reconstituted milk will be sold to the public at 12 annas per measure on the basis of the actual cost of production.

36. Provision has been made in the budget estimate for 1947-8 for extending the scheme of compulsory primary education to some more villages in each district, so as to bring an additional one and a half lakhs of children under instruction. The

Village Re-
construction
and Harijan
uplift.

State Trad-
ing Schemes
relating to
foodgrains
and other
commodi-
ties.

Education.

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estimated expenditure on the extension of the scheme in 1947-8 is Rs. 13½ lakhs. A sum of over Rs. 5 lakhs has been provided for training additional teachers required in connexion with the scheme for extension of compulsory primary education. Provision has also been made for a scheme for the establishment of Central libraries in the firkas selected for intensive rural reconstruction work with branch libraries in each of the villages at an estimated cost of Rs. 1.15 lakhs. The Budget also provides Rs. 34 lakhs for grants to local bodies and Rs. 103 lakhs for grants to private managements to enable them to pay dearness and cost of living allowances to teachers in primary schools. A further sum of Rs. 10 lakhs has been provided for grants to managements of private secondary and special schools and colleges to assist them in paying dearness and cost of living allowances at Government rates. Besides, additional provision has been made for special grants to local bodies for the revision of the pay of teachers in their primary schools and secondary schools (Rs. 15.40 lakhs) and to the managements of aided elementary schools for the revision of the pay of teachers in those schools (Rs. 25.60 lakhs). The Budget includes Rs. 14 lakhs on account of the increase in the rate of assessment of teaching grants to non-Government primary schools by Rs. 2 per month per teacher which was sanctioned during the current year. Provision has also been made for the study of language subjects under Part III of the B.A. course in the Government Arts Colleges at Rajahmundry, Anantapur, Kumbakonam and Palghat. Rupees 6 lakhs has been provided for the construction of a new building for the Government Arts College at Rajahmundry, and Rs. 75 lakh for additional buildings for the Government Arts College at Palghat.

“ 37. Some important schemes relating to the Medical and **Medical.** Public Health Departments included in the five-year plan of post-war development, such as the opening of medical and public health centres in villages and the reconstruction of and improvements to district and taluk headquarters hospitals, have not yet been formulated in a final form. The Budget provides for the conversion of the existing School of Indian Medicine into a College of Indian Medicine and for opening a research institute for Indian medicine in Madras. Other important new schemes of the Medical Department included in the Budget are the reorganization of the Barnard Institute of Radiology and the Skin department and the opening of a department of Pediatrics in the General Hospital, Madras, the reconstruction of the Queen Alexandra Hospital at Salem, the employment of additional teaching staff in the Andhra Medical College, Vizagapatam, and additional nursing staff in certain medical institutions and the purchase of refrigerators for certain Government hospitals.

“ 38. A comprehensive plan has been prepared covering water- **Public Health.** supply and drainage schemes for the whole Province, and the schemes will be taken up in the order of urgency. The Budget includes provision for grants for water-supply schemes for Siruguppa (Bellary district), Arantangi (Tanjore district), and Tiruvallur

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(Chingleput district) and for the construction of an infiltration gallery and allied works for the improvement of the water-supply system of the Madura Municipality. As soon as the Military authorities release the water-works installations at Vizagapatam, action will be taken with a view to acquiring them for the Vizagapatam Municipality, the Government bearing half the cost and the municipality the other half. The Budget also includes provision for certain anti-malarial measures in Coimbatore, Malabar and Bellary districts and for the enhancement of the scale of grants of local bodies for the maintenance of maternity and child-welfare centres.

Irrigation.

" 39. The only big irrigation project now under execution is the Tungabhadra Project. The Government anticipate that Rs. 143 lakhs will be spent on the project in 1947-8 and after allowing for a credit of about Rs. 28 lakhs as grant from the Government of India, a net provision of Rs. 115 lakhs has been made in the Budget. The Budget provides about Rs. 15 lakhs for expenditure on irrigation works intended to effect an early increase in food production (including new works). Provision has also been made for drainage improvement works in the Kistna and Cauvery Deltas (Rs. 26.50 lakhs). A sum of Rs. 28 lakhs has been provided for a new project, namely, the Lower Bhavani Project. Though detailed estimates have not yet been prepared for this project and the revenue aspects of the project have not yet been examined, the Government have decided to include provision for it in the Budget, as the scheme has been under consideration for a long time and will benefit an area which badly needs irrigation facilities. The amount provided in the Budget will be treated as provisional and the execution of the project will not be started until the detailed estimates of cost and of additional revenue from the project have been examined by the Government and decisions reached. The Budget also provides for the continuance of the investigation of the Ramapadasagar Project. Expenditure will be incurred on surveying and levelling operations and on certain experiments suggested by Dr. Terzaghi, an American Engineer, who is one of the members of the Board of Consulting Engineers constituted to advise on the project.

Road works.

" 40. The original programme of road works under the post-war development scheme was estimated to cost about Rs. 28 crores over the five-year period. This has since been reduced to about Rs. 12 crores, including Rs. 2½ crores for National Highways. It is anticipated that the cost of the National Highways will be met in full by the Central Government. In that case the expenditure to be met from Provincial revenues under this scheme will be Rs. 9½ crores spread over a period of five years from 1947-8. A total provision of about Rs. 150 lakhs has been made in the Budget for 1947-8 for expenditure on the post-war development plan for roads, of which a sum of about Rs. 101 lakhs is intended for original works and the balance of about Rs. 49 lakhs for maintenance in order to restore to normal condition roads that deteriorated during the war period due to inadequate expenditure on repairs on account of scarcity of materials or other causes. Of the provision

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of Rs. 101 lakhs for original works under the post-war development plan, a sum of Rs. 8 lakhs is intended for works in progress and Rs. 93 lakhs for new works (Rs. 39 lakhs for National Highways and Rs. 54 lakhs for Provincial Highways and major district roads). For expenditure not connected with the post-war development plan, a provision of Rs. 35 lakhs has been made for original works in progress, and another provision of about Rs. 2 crores for maintenance of roads including those taken over by the Government from local bodies. The Budget provision for expenditure not connected with post-war development plan includes Rs. 47 lakhs (Rs. 4 lakhs for original works in progress and Rs. 43 lakhs for maintenance and repairs) for expenditure on National Highways. It has not been possible to take credit for the special Central grant likely to be received towards the expenditure on National Highways, as the Government of India have not yet passed final orders on the National Highways Scheme. As a new Highways Department has been constituted, the Government hope that good progress will be made next year with the road works provided for in the Budget. Thus the total provision in the Budget for direct expenditure by the Government on the roads of the Province is the large amount of Rs. 385 lakhs. In addition to the amounts already mentioned, the Budget provides Rs. 18 lakhs for grants to local bodies for new road works included in the post-war development programme and Rs. 10.53 lakhs for other grants to local bodies for road works.

“ 41. The Government have sanctioned schemes for settling ex-service men in land colonies and for the formation of Labour Contract Societies of ex-service men on a co-operative basis, and also for starting co-operative workshops to be staffed by ex-service men. Forty-three land colonization schemes are under consideration, and co-operative societies have so far been formed for running twelve of them. The Central Government have agreed to bear a third of the cost of the schemes, subject to a maximum of Rs. 500 per colonist. This Government have fixed a maximum limit of Rs. 1,900 per colonist for the total cost including housing, provision of irrigation facilities, agricultural implements, etc., and this Government's share of the cost will be subject to a maximum of Rs. 200 per colonist for the cost of reclamation of land and Rs. 300 per colonist for provision of irrigation facilities. Ten Labour Contract Societies have been sanctioned and nine of these have already been established. The intention is to entrust these societies with the execution of Government works relating to buildings, irrigation and roads. The three societies in Madras City have been entrusted with the construction of three large building works. The opening of seventeen co-operative workshops has been sanctioned. They are to produce metal wares, furniture and other woodwork, bricks and tiles, etc. Twelve factories have already been organized and registered under the Co-operative Societies Act and the remaining five factories are expected to start work before the end of the current year. The capital outlay on these workshops is subject to a maximum of Rs. 800 per ex-service man and

Schemes for
the benefit
of ex-service
men.

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the necessary funds will be found from Provincial revenues, contributions from the Post-war Services Reconstruction Fund and share capital subscribed by the members of the co-operative societies concerned. A total provision of Rs. 27;23 lakhs has been made in the Budget for the various schemes for the benefit of ex-service men, of which Rs. 25 lakhs represents capital outlay on the co-operative workshops.

Industrial
Finance
Corporation.

" 42. There has been a long-felt need in this Province for an Industrial Finance Corporation to make medium and long-term loans to industries. The management and control of a number of industrial concerns in this Province were taken over in the pre-war period by large companies with headquarters outside the Province and this was no doubt due, at least in part, to the absence of an Industrial Finance Corporation in the Province. The Government propose to start an Industrial Finance Corporation with a capital of Rs. 1 crore. The intention is that 51 per cent of the capital shall be subscribed by the Government, so that they may have the final power of control in the organization, and that the balance shall be raised from banks, insurance companies, investment corporations and big co-operative institutions. The question whether the Corporation should be a Joint Stock Company registered under the Indian Companies Act or whether it should be set up by special legislation as in the case of the Industrial Finance Corporation to be established by the Central Government is still under consideration. Various details relating to the working of the Corporation have also not yet been finally settled. The Government hope to reach final decisions on these matters soon and to take steps to set up the Corporation. The Budget provides Rs. 51 lakhs for the Government's subscription towards the share capital of the institution.

Nationaliza-
tion of basic
industries.

" 43. The Government are considering the question of nationalizing certain basic industries such as the cement industry and the soda ash industry. Final decisions have not yet been reached as to the industries that will be nationalized and the agency that will be employed to work them. The question whether the Government will take over the existing concerns in the industries to be nationalized has also not yet been decided. A proposal is under consideration for the establishment of an entirely State-owned Industrial Corporation for organizing and running the nationalized industries, but the matter requires further examination. Pending final decisions on these matters, a provision of Rs. 50 lakhs is included in the Budget for 1947-8 for the capital outlay likely to be required under this head.

Nationaliza-
tion of motor
bus trans-
port.

" 44. A Sub-Committee of the Cabinet is examining the question of nationalizing motor bus transport. As a beginning, the Government have sanctioned the running of a Government Bus Service in Madras City with thirty buses to start with. The Budget provides Rs. 6.16 lakhs for the working expenses of this service. The receipts from it are estimated at Rs. 8;39 lakhs, which will more than cover the working expenses.

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" The question whether lorry transport should be nationalized is also under consideration.

" 45. Though the Government have arrived at decisions on the main principles of the scheme for the separation of the Judiciary from the Executive, the detailed scheme is not yet ready for sanction. Provision has, therefore, not been made for the scheme in the Budget Estimate for 1947-8, but the Government hope to be able to sanction the scheme soon and intend to propose provision for it in 1947-8 by means of a supplementary grant.

" 46. The Madras City Improvement Trust was constituted in October 1946. A Chairman has been appointed, and the Trust has begun to function. The Government hope that it will soon be able to formulate schemes for slum clearance, etc., in order to improve the health of the City generally.

" 47. Coming now to the figures for the estimated Revenue and Expenditure on Revenue Account in 1947-8, the position is as follows :—

	Revised Estimate, 1946-7.	Budget Estimate, 1947-8.	Variation. Increase (+) or decrease (—).
	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.
Revenue—			
Normal	51,71.52	48,24.38	— 3,47.14
Transfer from the Revenue Reserve Fund.	8,26.00	1,49.00	— 6,77.00
Total—Revenue ..	59,97.52	49,73.38	— 10,24.14
Expenditure on Revenue Account—			
(1) Excluding expenditure on post-war development schemes and net outlay on State Trading Schemes.	47,04.55	36,44.99	— 10,59.56
(2) Expenditure on post-war development schemes.	3,91.22	7,20.75	+ 3,29.53
(3) Net outlay on State Trading Schemes.	9,01.36	6,07.07	— 2,94.29
Total—Expenditure on Revenue account.	59,97.13	49,72.81	— 10,24.32
Surplus	33	57	+ 24

" I have explained already the important features of the coming year's Budget and it is not necessary now to give detailed explanations of the figures. I shall, however, mention briefly the reasons for the more important variations in Revenue and Expenditure between the Revised Estimate for 1946-7 and the Budget Estimate for 1947-8.

" Taking Revenue first, decreases occur mainly under Excise due to the extension of Prohibition, under Forest on account of the smaller quantities of timber, sandalwood and other forest produce expected to be sold and an anticipated fall in the price of sandalwood, under Interest due to the absence of the special credit for the premium on the loan floated in September 1946 and

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to the investment of smaller amounts from the cash balance, and under Extraordinary Receipts owing to the fact that the Central grant towards expenditure on Revenue Account on post-war development schemes for which credit is taken in 1947-8 is less than the corresponding credit taken in the revised estimate for 1946-7 (which includes the Central grant towards expenditure in 1945-6). On the other hand, a large increase is expected under 'Income-tax' on account of the proposed tax on agricultural income. Further, a larger assignment to Madras from the Central income-tax receipts is expected in 1947-8 than in 1946-7.

" Turning now to Expenditure, decreases occur under Irrigation due to smaller provision for expenditure on the investigation of the Ramapadasagar Project and on certain other minor schemes, for flood repairs and for works undertaken with a view to early increase in food production, under General Administration due to smaller expenditure on well subsidies and on printing electoral rolls and to the abolition of the schools for training village officers and presidents of panchayat boards, under Appropriation for reduction or avoidance of debt due to the absence of the special provision made in the revised estimate for 1946-7 for the repayment of loans given by the Government of India in connection with the Grow-More-Food campaign, under Public Health due to the absence of the provision included in the revised estimate for 1946-7 for the purchase of special drugs and medical equipment to prevent epidemic diseases likely to be caused by food scarcity, under Agriculture due to the absence of the expenditure incurred in the current year on the purchase of tractors and other agricultural machinery from Army Surplus Stores and on bonus to ryots for cultivation of short-term cereal crops, and under Miscellaneous due to the fact that no amount is to be contributed in 1947-8 to the Fund for Village Reconstruction and Harijan Uplift. There is also a decrease under Extraordinary charges due to reduction in the net outlay on Grain Supply Schemes as a result of the improvement in seasonal conditions, to the absence of provision for the scheme for the free-distribution of milk to school children and other privileged consumers in the mufassal, and to the absence of provision for payment of bonus and rewards to village munsifs and karnams in connection with the schemes for the intensive procurement of foodgrains. Increases in expenditure occur mainly under Education and Civil Works. The increase under Education is due partly to a full year's provision for the new schemes sanctioned in the course of the current year and partly to larger provision for grants to local bodies in connection with the further extension of the scheme for compulsory primary education and for training additional teachers for the purpose of the scheme. The increase under Civil Works is due to larger provision for buildings and roads. The budget includes increased provision for new road works under the post-war development programme and also for the maintenance of roads.

" 48. In explaining the salient features of the next year's budget, I have already mentioned the more important of the new

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schemes for which provision has been made in the budget, including those relating to the Education, Medical and Public Health Departments and to industrial development. Other new schemes for which provision is made in the budget include those for metalling certain forest roads in Malabar and Salem districts, for the revival of the Working Plans Circle in the Forest Department, for opening nine the new sub-registry offices, for the appointment of Additional Subordinate Judges and District Munsifs temporarily for clearing off arrears of work, for the construction of a combined court-house for the Subordinate Judge and the District Munsif at Coimbatore, for the appointment of an Additional Presidency Magistrate in Madras City owing to the extension of the City limits, for opening dairies in certain central jails, for appointing nursing orderlies in the hospitals attached to jails and Borstal Schools, for the formation of six additional tear smoke squads in the Police department, for the purchase of more male breeding-stock for improvement of cattle, for the opening of a combined sheep and cattle farm in Bellary district, for the production of more fish, for the appointment of four additional Labour Officers to attend to labour disputes, for opening new Labour schools and for giving additional scholarships and boarding grants to students of the communities eligible for help by the Labour Department."

" 49. The figures given above show that the Revenue Account is expected to close with a deficit of Rs. 149 lakhs in 1947-8. This will be met by drawal from the Revenue Reserve Fund. I may mention here that the provision for certain building schemes costing over Rs. 5 lakhs each (Rs. 47.19 lakhs) and for capital outlay on the Hydrogenation Factory at Calicut (Rs. 8.84 lakhs) has been made in the capital section, as in the revised estimate for 1946-7. But for this, the deficit would have been about Rs. 205 lakhs."

Revenue deficit.

" 50. The total provision for capital expenditure outside the Revenue Account (excluding the net outlay on State Trading Schemes and the expenditure on commutation of pensions, which will be met from current revenues) is Rs. 898 lakhs in the Budget for 1947-8 against Rs. 338 lakhs in the revised estimate for 1946-7. There is thus a total increase of Rs. 560 lakhs. Of this, Rs. 274 lakhs is due to large provision for Electricity Schemes such as the Mettur, Moyar and Machkund Hydro-electric Schemes. Rs. 101 lakhs is provided for the purchase of shares in the Industrial Finance Corporation proposed to be established and for capital outlay in connexion with the nationalization of basic industries, as already explained. Larger expenditure is also anticipated under Irrigation and Civil Works. The increase under Irrigation is due to provision for certain new works already mentioned and to larger provision for the Tungabhadra Project and the Romperu drain, while the increase under Civil Works is due to larger expenditure on certain new building schemes sanctioned in the current year and provision for two new schemes, namely, the construction of huts for the Armed Reserve Police in Ramnad and Madura North districts and the construction of new buildings for the Government Arts College, Rajahmundry."

Capital and Debt heads 1947-8.

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Purchase of
the Madras
Electric
Supply
Corporation.

" 51. The Government have decided to take over the Madras Electric Supply Corporation in August 1947. The amount to be paid to the Corporation for the undertaking has not yet been settled. A token provision of Rs. 100 has therefore been made for the purpose in the budget. After the amount to be paid has been settled, a supplementary grant will be obtained."

Loans and
Advances by
the Provin-
cial Govern-
ment.

" 52. Under Loans and Advances the budget estimate takes credit for recoveries amounting to Rs. 116.07 lakhs and provides Rs. 188.51 lakhs for disbursements of loans and advances including Rs. 40 lakhs for short-term loans to the Madras Co-operative Central Land Mortgage Bank. The amount included for new loans to local bodies is Rs. 34.22 lakhs, which includes Rs. 27.32 lakhs for loans to the Madras Corporation for construction of roads, storm-water drains, etc."

Other Debt
and Deposit
heads.

" 53. The net receipts in the budget under Debt, Deposit, Advance and Remittance heads (other than Loans and Advances by the Provincial Government) are greater than those in the revised estimate for 1946-7 by Rs. 777.41 lakhs. This increase is the net effect mainly of smaller withdrawals from the Revenue Reserve Fund for investment and transfer to the Revenue Account, partly offset by larger outgoing from the Fund for Village Reconstruction and Harijan Uplift and the absence of credit for new loans to be raised in 1947-8."

New open
market loan,
1947.

" 54. The Government contemplate raising a loan in the open market next year to finance Capital outlay and new loans and advances. The Government of India have promised to help Provincial Governments by giving loans to assist them in financing post-war development schemes the expenditure on which can be met from non-revenue resources. The Government propose to take a loan from the Central Government in addition to any loan that may be raised in the open market. The total net disbursement under Capital and Debt heads in 1947-8 is estimated roughly at about Rs. 10 crores, excluding the amount that will be required for the purchase of the Madras Electric Supply Corporation. The Government will decide in due course what amount will be raised by way of loan in the open market and what amount will be borrowed from the Central Government. The terms to be offered for the open market loan will also be settled in due course in consultation with the Reserve Bank of India and the Central Government. Following the usual practice, no credit is taken in the budget for the proceeds of any new loans.

Closing
Balance,
1947-8.

" 55. After taking into account the opening cash balance of Rs. 55.73 lakhs and the estimated debits and credits under all heads, the year 1947-8 is expected to close with a balance of Rs. 54.87 lakhs in cash and Rs. 1,308.48 lakhs in securities in the Cash Balance Investment Account and Rs. 2,231.35 lakhs in securities in the Revenue Reserve Fund. It is anticipated that the Government will also hold on the 31st March 1948 earmarked securities purchased for Rs. 436.51 lakhs in the Sinking Fund Investment Account, the Famine Relief Fund and Electricity Depreciation Reserve and Special Reserve Funds."

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“ 56. Owing to the large expenditure on subsidising the sale of food-grains and to the introduction of Prohibition and other ameliorative measures such as village reconstruction and Harijan uplift, the extension of compulsory primary education, etc., deficits on Revenue Account are anticipated in the current year and the budget year. These deficits have to be met by drawing on the Revenue Reserve Fund. The balance at the credit of this Fund on the 1st April 1948 is expected to be Rs. 22.31 crores. I am sure that the House will agree that it will not be wise to allow revenue deficits to recur regularly in subsequent years and rely merely on meeting them from the balance in the Revenue Reserve Fund, as that would result in a very difficult and unsatisfactory position as soon as that limited balance had been exhausted. Efforts will be made to augment the Provincial revenues by additional taxation and by other means. The Government hope also to effect some economy in expenditure as a result of the labours of the Reorganization Committee. So far, there has been no fall in the levels of prices and employment resulting in reduction in revenue. In the absence of any serious economic depression or any serious natural calamity such as famine or floods, we may reasonably hope that we shall be able to make progress towards balancing the budget in future years. No one regrets more than myself that there are many crying needs for which it has not been possible to provide adequate funds in this budget, for example, provision of medical and public health relief in villages, but I must impress on the House that it is necessary to regulate our expenditure with reference to our revenue if we are to maintain our financial credit unimpaired. I should like to quote at this point an observation by a French economist: “ There are some sciences,” he says, “ so lofty and serene that they leave in peace those who are not concerned with them, but Finance is not one of those; it has a way of taking a terrible revenge upon nations and individuals who neglect or despise it.” I submit that it is essential to regulate our progress with our ameliorative schemes according to our financial position and the resources available, and not land ourselves in a financial morass by attempting to press on too hurriedly with them before we have built up the necessary resources.

Conclusion

“ I must not omit to thank the Finance Secretary, Dr. Dodwell, and his staff for the labour they have taken in preparing this budget so carefully and promptly.”

“ With these words, Sir, I commend to the acceptance of the House, the revised estimate for 1946-7 and the budget estimates for 1947-8.”

III.—BUSINESS OF THE HOUSE.

MR. PRESIDENT :—“ Before I adjourn the House, may I know from the Government what their plan is with regard to piloting the Public Order Bill through both the Houses?

THE HON. SRI T. PRAKASAM :—“ I am unable to say what our plans are straightway regarding the Public Order Bill. The other House is going to sit again at 5-30 for the introduction of the Bill and proceed day after day with it.”